Supreme Court, U.S.
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No. 87-1009

IN THE SUPREME COURT

OF THE

UNITED STATES

OCTOBER TERM, 1987

SCHUBERT & SALZER
MASCHINENFABRIK AKTIENGESELLSCHAFT
and
SCHUBERT & SALZER MACHINE WORKS, INC.,
Petitioners,

v.

SPINDELFABRIK SUESSEN-SCHURR,
STAHLECKER & GRILL GmbH,
HANS STAHLECKER and FRITZ STAHLECKER,
Respondents.

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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STATEMENT OF INTEREST

There are no parent companies or publicly held affiliates as regards respondents.

TABLE OF CONTENTS

	Page
STATEMENT OF INTEREST	i
STATEMENT OF THE CASE	1
ARGUMENT	7
CONCLUSION	9
SERVICE	11

TABLE OF AUTHORITIES

Page

Rule 17, Rules of the Supreme Court 10

STATEMENT OF THE CASE

For purposes of continuity, this opposition will continue to designate the petitioners collectively as "Schubert" and the respondents collectively as "Suessen," as was done in the petition.

This is an action for infringement of two U.S. patents, Nos. 4,059,946 ('946) and 4,175,370 ('370), owned by respondent Suessen. The action was commenced in the Fall of 1983, and in its original answer petitioner Schubert asserted the usual defenses of noninfringement and invalidity for a variety of reasons.

In the year following institution of the suit, respondent Suessen acquired from Murata, a Japanese company, title to U.S. Patent No. 4,022,011 ('011). Prior to this acquisition, Murata had granted to petitioner Schubert a nonexclusive license under the '011 patent, and accordingly

respondent Suessen's acquisition of the patent from Murata was subject to continuation of petitioner Schubert's previously acquired license. In February 1985, just prior to trial, petitioner Schubert amended its pleadings, inter alia, to assert additionally a defense of implied license under the '946 patent by reason of its license from Murata under the '011 patent.

The matter was thereafter tried to the Court, and on September 4, 1985, an Order and Opinion, including Findings of Fact and Conclusions of Law, was entered by the Trial Court [46a]. In its decision, the Trial Court found both the patents in suit ('946 and '370) valid and infringed by petitioner Schubert. In doing so, the Trial Court also specifically rejected the implied license defense based on the following analysis and fact

findings:

(1) First, the Court found that petitioner Schubert could not have acquired from Murata any rights greater than those which Murata had the right to grant. Thus, since Murata had no rights under Suessen's '946 patent, no rights were therefore granted thereunder by the Murata to Schubert '011 license agreement [184a].

(2) Second, the Court observed that there is nothing in the 1984 agreement by which Suessen acquired the '011 patent from Murata about Suessen's '946 patent, nothing about any patent corresponding thereto, and nothing about any technology specifically covered thereby. Moreover, the Court found no language in the 1984 agreement which could be construed as

a grant by Suessen of any right to practice any Suessen technology which might be covered by other Suessen patents. Thus, the Trial Court concluded,

> "The net effect, therefore, of the 1984 Suessen/ Murata agreement from defendants' [Schubert's] standpoint, was that SSI [Schubert] was the beneficiary of a guarantee by Suessen that the nonexclusive rights under the Hirai ['011] patents granted to SSI [Schubert] by Murata in 1982 could not be taken away by the new patent owner, Suessen. The enforcement of the '946 and '370 patents against the defendants in this litigation in no way affects that guarantee." [186a-187a].

(3) Lastly, the Trial Court took note that Schubert offered no evidence other than the two agreements in support of the existence of any implied license--i.e., no evidence to the effect that Schubert ever thought it had an implied license under Suessen's patent at the time they

acquired their '011 license from Murata, and no evidence that Schubert "were led to take or ever took any action upon reliance that they had rights under the '946 patent." [187a].

Notably, when the Trial Court made its foregoing analysis rejecting Schubert's implied license argument, it had already found earlier in its opinion that the "inventions described respectively in the '946 and . . . ['011] patents are significantly different. . ." [146a].

On appeal to the Federal Circuit Court of Appeals, petitioner Schubert dropped its argument of implied license under an equitable estoppel theory and relied solely upon a theory of <u>legal</u> estoppel in support of the implied license defense [18a-19a]. In addressing this

issue, the Court of Appeals stated:

> "Legal estoppel 'is merely shorthand for saying that a grantor of a property right or interest cannot derogate from the right granted by his own subsequent act.' AMP v. United States, 389 F.2d at 453, 156 USPQ at 650-51. The rationale for that is to estop the grantor from taking back that for which he received consideration, 389 F.2d at 452, 156 USPQ at 649-50." [19a].

The Court then went on to reject petitioner Schubert's implied license/ legal estoppel defense on the grounds that the license under '011 by Murata to Schubert "did not purport to, and indeed could not, protect Schubert from a suit by Suessen under '946" and that "Suessen, by filing in 1983 and now maintaining its suit under '946, does not derogate from the right given by Murata in the 1982 license agreement." [19a-20a].

ARGUMENT

The subject petition should be denied. The decision of the Court of Appeals below is neither remarkable nor in any way inconsistent with established legal precedents or statutes.

A patent license agreement is nothing more than a contract, and the simple issue presented here is whether petitioner Schubert acquired in the contractual bargain freedom from suit under the '946 patent. The Courts below have found factually that this bargain did not include such freedom. Petitioner Schubert bargained, bought and paid only for the right of freedom from suit under the '011 patent. What Schubert really seeks here, however, is the further right to practice under the "significantly different" '946 patent [146a]. This further right was not a part of the bargain, and to make it a

part of the bargain after the fact "would result in an unintended windfall to Schubert that makes no sense under the facts of this case." [28a].

The essence of petitioner Schubert's argument here for granting the petition is that it is well established that a "patentee cannot license under one patent and hold back a second patent which is necessary to enable the licensee to practice the first patent." [Petition p. 11]. The decision of the Court below is in no way contrary to, or inconsistent with, this stated principle. Instead, the decision simply does not directly address the principle because it has no application to this case.

From the outset, petitioner Schubert has tried to persuade the Courts involved in this matter that the inventions of the '946 and '011 patents are the same.

However, this proposition has been consistently rejected by the Courts with unequivocal findings that the inventions are significantly different:

> "These distinctions in '946 over the Hirai ['011] patent go to the heart of the true merit of the '946 invention in that they provide the key to achieving uniform piecing points and thus the key to practical and commercially successful automated piecing." [144a].

As a result of these findings, there is no basis on this record for the assertion by petitioner Schubert that the practice of the '011 invention necessarily involves the practice of the '946 invention. The inventions are different, and the plain truth is that petitioner Schubert is not content to limit its activity to practicing only the licensed '011 invention.

CONCLUSION

For the foregoing reasons, we respectfully submit that the subject

petition fails to present any appropriate reason as set forth in Rule 17, Rules of the Supreme Court, which would warrant review by this Court. Accordingly, the petition should be denied.

January ___, 1988

Respectfully submitted,

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SERVICE

The Petition for a Writ of Certiorari was received on December 11, 1987. Three copies of this Brief in Opposition to Petition have been served upon counsel for defendants-appellants below, petitioners herein, first-class mail, postage prepaid, addressed as follows:

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